

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 652 Granting a Non-exclusive Franchise to Level 3 Communications, LLC for Ten years to Construct, Maintain, Operate, Replace and Repair an Underground Fiber Optic Telecommunications System In, Along, Under, Through and Below Public Rights-Of-Way in the City of Shoreline
DEPARTMENT:	City Manager's Office (CMO)
PRESENTED BY:	John Norris, CMO Management Analyst
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion

PROBLEM/ISSUE STATEMENT:

Fiber optic telecommunications firms which use the City's rights-of-way for maintenance of their fiber optic telecommunications systems are required to have a non-exclusive franchise with the City. On July 26, 1999, the City Council granted US Crossing, Inc. a franchise to operate and maintain their fiber telecommunications system in Shoreline. In December 2011, staff received notice that Global Crossing Limited, of which US Crossing, Inc. was a subsidiary, was purchased by Level 3 Communications, LLC. Proposed Ordinance No. 652 would grant a new franchise agreement to Level 3 for ten years.

RESOURCE/FINANCIAL IMPACT:

There is no fiscal impact to adopting Ordinance No. 652. As per state law, the City is precluded from imposing franchise fees upon a Service Provider, as defined in RCW 35.99.010, for use of the right-of-way. Given that Level 3 warrants that their operations are those of a Service Provider, the City is not able to collect franchise fees from Level 3. Furthermore, given that there are no end-users of Level 3's network in Shoreline, the City does not collect any utility taxes from Level 3 subscribers. If Level 3 provides services to subscribers within the City in the future, they shall become subject to the City's utility tax as set forth in Chapter 3.32 of the Shoreline Municipal Code. Level 3 is subject however to a \$5,000 administrative fee for reimbursement of costs associated with the preparation, processing and approval of the franchise.

RECOMMENDATION:

Staff recommends that Council adopt Ordinance No. 652.

Approved by: City Manager **JU** City Attorney **IS**

BACKGROUND:

Fiber optic telecommunications firms which use the City's rights-of-way for maintenance of their fiber telecommunications systems are required to have a non-exclusive franchise with the City. Shoreline Municipal Code (SMC) section 12.25.030 states that "it shall be unlawful to construct, install, maintain or operate any facility in, on, above, or below the public right-of-way without a valid franchise agreement obtained pursuant to the provision of this chapter."

On July 26, 1999, the City Council granted US Crossing, Inc. a franchise to operate and maintain their fiber telecommunications system in Shoreline. At that time, US Crossing was a new entrant to Shoreline, as they were preparing to install their fiber network shortly after franchise approval. This franchise, which was granted by Shoreline Ordinance No. 203, expired on August 3, 2009. A copy of this US Crossing franchise may be obtained on the City's website at: <http://shorelinewa.gov/index.aspx?page=547>.

In December 2011, staff received notice that Global Crossing Limited, of which US Crossing, Inc. was a subsidiary, was purchased by Level 3. This acquisition officially took place on October 4, 2011. Although US Crossing's franchise with the City expired two years earlier in 2009, staff was unsure as to whether US Crossing was still a going concern at that point in time. Thus, some of the resultant confusion regarding US Crossing's viability as an existing firm was validated by Level 3's acquisition.

In early 2012, staff began negotiating a new franchise agreement with Level 3 for their newly acquired fiber in the City's right-of-way. The Level 3 telecommunications network has no end-user customers in Shoreline, as their underground fiber cable runs the length of Aurora Avenue N. as a "pass through." A map of Level 3's fiber system in Shoreline is attached to this staff report as Attachment A. As well, there have been no Level 3-initiated permits issued by the City since Level 3 took over the fiber network formerly owned by US Crossing. The only instance where Level 3 has worked in the right-of-way to alter their fiber system was during the City-initiated Aurora Corridor project. Proposed Ordinance No. 652, which is attached as Attachment B, would grant a new franchise agreement to Level 3 for ten years.

Level 3 Communications Corporate Background:

Level 3 Communications, which is headquartered in Broomfield, Colorado, is a multinational telecommunications firm and internet service provider. Level 3 operates a Tier 1 network, the largest type of internet protocol (IP) network, and provides IP, voice, video and content delivery for internet carries in North America, Latin America, Europe and in some cities in Asia. As of December 31, 2012, Level 3 had 10,800 employees and is financially healthy. Level 3 is a publicly traded company on the New York Stock Exchange. As part of their franchise application, Level 3 submitted their annual financial report (Form 10-K) for 2012, which was reviewed by staff.

Level 3 is also regulated as a Competitive Local Exchange Carrier (CLEC). A CLEC is a telephone company that competes with the already established local telephone

business by providing its own network and switching. CLECs are distinguished as new competitors to established local exchange carriers, or Incumbent Local Exchange Carriers (ILECs), which were established from the anti-trust breakup of the Bell System in 1982 (the 'Baby Bells'). Additional information from Level 3 about their company history and the services they provide is attached as Attachment C.

FRANCHISE APPLICATION CONSIDERATION:

SMC section 12.25.070 identifies the considerations the City should review when granting a right-of-way franchise. For new franchise agreements, they are:

1. The applicant's past service record in the city and in other communities
2. The nature of the proposed facilities and services
3. The proposed area of service
4. Whether the proposal would serve the public needs and the overall interests of the city residents

Although the fiber optic network owned by Level 3 is not new, given that the City's old US Crossing franchise has expired and that Level 3 acquired US Crossing's parent company, the City is viewing Level 3's franchise application as a new application rather than an application for a franchise renewal. Based on this determination, the other considerations in SMC section 12.25.070 regarding renewed franchise applications will not be considered as part of this staff report.

In reviewing Level 3's past service record, as noted earlier in this report, Level 3 has no end-users in Shoreline. Therefore, Level 3 has no Shoreline customer service, service quality, billing, or other type of retail service issues often associated with telecommunication service providers. Staff also conducted a cursory online review of Level 3's service record and operations and found no major issues. Level 3 is a global firm providing Tier 1 internet service with offices on three continents. Given the scale and magnitude of their operations, staff have not been able to identify specific weaknesses that would allude to poor performance with regard to their pass-through fiber in Shoreline.

Additionally, given that Level 3's fiber is considered a "pass through", the nature of Level 3's facilities and services is to connect their Tier 1 network to users outside of the City. Within the City, their proposed service area in Shoreline is their underground conduit and fiber running the length of Aurora Avenue N from N 145th Street to N 205th Street. Level 3's proposal is also reasonable to meet the future needs and interests of the community as they provide network infrastructure for the region, and allowing them to use City streets and rights-of-way for their Tier 1 network provides a link for this regional connectivity.

One additional consideration identified in the Municipal Code regards a franchise applicant's past history with bankruptcy. SMC section 12.25.050 requires that a franchise applicant provide an affirmed statement of whether the applicant has voluntarily filed for relief under any provision of the bankruptcy laws of the United States (Chapter 11 bankruptcy protection.) Level 3, through a letter from Neil J. Eckstein,

Senior Vice President and Assistant General Counsel, have confirmed that they have never filed for bankruptcy protection.

Based on this analysis, staff believes that Level 3's franchise application meets the criteria identified in SMC section 12.25.070 and their franchise should be granted.

ALTERNATIVES:

The following alternatives are available with regard to proposed Ordinance No. 652:

1. *Adopt* – Council can adopt Ordinance No. 652, which would grant the proposed franchise to Level 3. The terms of the new franchise agreement would take effect upon franchise execution.
2. *Deny* – Council can deny the franchise request from Level 3 and not adopt Ordinance No. 652. Denial would have to be based on the criteria described in the Shoreline Municipal Code.

RESOURCE/FINANCIAL IMPACT:

There is no fiscal impact to adopting Ordinance No. 652. As per state law, the City is precluded from imposing franchise fees upon a Service Provider, as defined in RCW 35.99.010, for use of the Right-of-Way. Given that Level 3 warrants that their operations are those of a Service Provider, the City is not able to collect franchise fees from Level 3. Furthermore, given that there are no end-users of Level 3's network in Shoreline, the City does not collect any utility taxes from Level 3 subscribers. If Level 3 provides services to subscribers within the City in the future, they shall become subject to the City's utility tax as set forth in Chapter 3.32 of the Shoreline Municipal Code. Level 3 is subject however to a \$5,000 administrative fee for reimbursement of costs associated with the preparation, processing and approval of the franchise.

RECOMMENDATION:

Staff recommends that Council adopt Ordinance No. 652.

ATTACHMENTS:

- A: Map of Level 3 Fiber Facilities in Shoreline
- B: Proposed Ordinance No. 652
- C: Level 3 Communications, LLC Corporate Information

Confidential & Proprietary

Level 3 Intercity
Level 3 Metro

Shoreline, WA

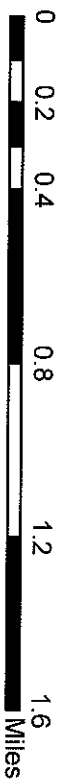
State Hwy 99

Shoreline

King

15

15



2/25/13

000008

ORDINANCE NO. 652

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, GRANTING LEVEL 3 COMMUNICATIONS, LLC A NON-EXCLUSIVE FRANCHISE FOR TEN YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE AND REPAIR AN UNDERGROUND FIBER OPTIC TELECOMMUNICATIONS SYSTEM, IN, ALONG, UNDER, THROUGH AND BELOW PUBLIC RIGHTS-OF-WAY OF THE CITY OF SHORELINE, WASHINGTON

WHEREAS, the City desires to grant a non-exclusive franchise to Level 3 Communications, LLC ("Level 3") for a period of ten years for the operation and maintenance of an underground fiber optic telecommunications system within the City Right-of-Way; and

WHEREAS, RCW 35A.11.020 grants the City broad authority to regulate the use of the public Right-of-Way; and

WHEREAS, RCW 35A.47.040 grants the City broad authority to grant non-exclusive franchises; and

WHEREAS, Level 3 wishes to maintain their underground fiber optic telecommunications system within the City Right-of-Way; and

WHEREAS, the City Council finds that it is in the best interests of the health, safety and welfare of residents of the Shoreline community to grant a non-exclusive franchise with Level 3 for the operation and maintenance of an underground fiber optic telecommunications system within the City Right-of-Way.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions.

The following terms contained herein, unless otherwise indicated, shall be defined as follows:

- 1.1 City: The City of Shoreline, a municipal corporation of the State of Washington, specifically including all areas incorporated therein as of the effective date of this ordinance and any other areas later added thereto by annexation or other means.
- 1.2 Days: Calendar days.
- 1.3 Facilities: All of the plant, equipment, fixtures, appurtenances, and other facilities necessary to furnish and deliver Telecommunications Services, including but not limited to wires, lines, conduits, cables, communication and signal lines and equipment, fiber optic cable, anchors vaults, and all attachments, appurtenances, and appliances necessary or incidental to distribution and use of Telecommunications Services and all other facilities

associated with the Telecommunications System located in the Right-of-Way, utilized by AboveNet in the operation of activities authorized by this Ordinance. The abandonment by AboveNet of any Facilities as defined herein shall not act to remove the same from this definition.

- 1.4 Franchise: This document and any amendments or modifications hereto.
- 1.5 Level 3: Level 3 Communications, LLC, a Delaware limited liability company and its affiliates.
- 1.6 Permitting Authority: The head of the City department authorized to process and grant permits required to perform work in the City's Right-of-Way, or the head of any agency authorized to perform this function on the City's behalf. Unless otherwise indicated, all references to Permitting Authority shall include the designee of the department or agency head.
- 1.7 Person: An entity or natural person.
- 1.8 Public Works Director or Director: The head of the Public Works department of the City, or in the absence thereof, the head of the Planning and Development Services department, or the designee of either of these individuals.
- 1.9 Right-of-Way: As used herein shall refer to the surface of and the space along and below any street, road, highway, freeway, bridge, lane, sidewalk, alley, court, boulevard, sidewalk, parkway, drive, utility easement, and/or road Right-of-Way now or hereafter held or administered by the City of Shoreline.
- 1.10 Telecommunications Service: The transmission of information by wire, optical cable, or other similar means. For the purpose of this subsection, "information" means knowledge or intelligence represented by and form of writing, signs, signals, pictures, sounds, or any other symbols. For the purpose of this ordinance, Telecommunications Service excludes wireless communications, over-the-air transmission of broadcast television or broadcast radio signals.
- 1.11 Telecommunications System: The system of conduit, fiber optic cable, and supporting Facilities in the Rights-of-Way associated with Level 3's provision of Telecommunications Services.

Section 2. Franchise Granted.

- 2.1 Pursuant to RCW 35A.47.040 and SMC Chapter 12.25, the City hereby grants to Level 3, its heirs, successors, and assigns, subject to the terms and conditions hereinafter set forth, a Franchise for a period of ten (10) years, beginning on the effective date of this Ordinance.
- 2.2 This Franchise shall grant Level 3 the right, privilege and authority to locate construct, operate, maintain, replace, acquire, sell, lease, and use a Telecommunications System in the Right-of-Way as approved under City permits issued by the Permitting Authority pursuant to this Franchise and City ordinances.

Section 3. Nonexclusive Franchise Grant.

This Franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in any Right-of-Way. This Franchise shall in no way prevent or prohibit the City from using any Right-of-Way or other public property or affect its jurisdiction over them or any part of them, and the City shall retain the authority to make all necessary changes, relocations, repairs, maintenance, establishment, improvement or dedication of the same as the City may deem appropriate.

Section 4. Franchise Subject to Federal, State and Local Law.

Notwithstanding any provision contrary herein, this Franchise is subject to and shall be governed by all applicable provisions now existing or hereafter amended of federal, State and local laws and regulations.

Section 5. No Rights by Implication.

No rights shall pass to Level 3 by implication. Without limiting the foregoing, by way of example and not limitation, this Franchise shall not include or be a substitute for:

- 5.1 Any other permit or authorization required for the privilege of transacting and carrying on a business within the City that may be required by the ordinances and laws of the City;
- 5.2 Any permit, agreement or authorization required by the City for Rights-of-Way users in connection with operations on or in Rights-of-Way or public property; or
- 5.3 Any permits or agreements for occupying any other property of the City or private entities to which access is not specifically granted by this Franchise.

Section 6. Conveyance of Rights.

This Franchise is intended to convey limited rights and interests only as to those Rights-of-Way in which the City has an actual interest. It is not a warranty of title or interest in any Rights-of-Way; it does not provide Level 3 with any interest in any particular location within the Rights-of-Way; and it does not confer rights other than as expressly provided in the grant hereof.

Section 7. No Waiver.

The failure of City on one or more occasions to exercise a right or to require compliance or performance under this Franchise or any other applicable State or federal law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the City nor to excuse Level 3 from complying or performing, unless such right or such compliance or performance has been specifically waived in writing.

Section 8. Other Ordinances.

Level 3 agrees to comply with the terms of any lawful, generally applicable local ordinance, including but not limited to Chapter 12.25 of the Shoreline Municipal Code in effect upon adoption of this Franchise. In the event of a conflict between any ordinance and a specific

provision of this Franchise, the Franchise shall control, provided however that Level 3 agrees that it is subject to the lawful exercise of the police power of the City.

Section 9. Right-of-Way Vacation.

If any Right-of-Way or portion thereof used by Level 3 is vacated by the City during the term of this Franchise, the City shall endeavor to specifically reserve the continued use of the Right-of-Way by Level 3. Unless the City specifically reserves to Level 3 the right to continue the use of vacated Rights-of-Way, Level 3 shall, without delay or expense to the City, remove its facilities from such Right-of-Way and restore, repair or reconstruct the Right-of-Way where such removal has occurred. In the event of failure, neglect or refusal of Level 3 to restore, repair or reconstruct such Right-of-Way after thirty (30) days written notice from the City, the City may do such work or cause it to be done, and the reasonable cost thereof shall be paid by Level 3 within thirty (30) days of receipt of an invoice and documentation.

Section 10. Relocation of Facilities.

- 10.1 Level 3 agrees and covenants at no cost to the City, to relocate its Facilities when requested to do so by the City for a public project, provided that, Level 3 shall in all such cases have the privilege, upon approval by the City, to temporarily bypass, in the authorized portion of the same Right-of-Way any Facilities required to be relocated.
- 10.2 If the City determines that a public project necessitates the relocation of Level 3's existing Facilities, the City shall:
 - 10.2.1 At least ninety (90) days prior to the commencement of such project, provide Level 3 with written notice of known Facilities requiring such relocation; and
 - 10.2.2 Provide Level 3 with copies of any plans and specifications pertinent to the requested relocation and a proposed temporary or permanent relocation for Level 3's Facilities.
 - 10.2.3 After receipt of such notice and such plans and specifications, Level 3 shall complete relocation of its Facilities at no charge or expense to the City at least ten (10) days prior to commencement of the project.
- 10.3 Level 3 may, after receipt of written notice requesting a relocation of its Facilities, submit to the City written alternatives to such relocation. The City shall evaluate such alternatives and advise Level 3 in writing as soon as practicable if any of the alternatives is suitable to accommodate the work that otherwise necessitates the relocation of the Facilities. If so requested by the City, Level 3 shall submit additional information to assist the City in making such evaluation. The City shall give each alternative proposed by Level 3 as full and fair a consideration as the project schedule will allow. In the event the City ultimately determines that there is no other reasonable alternative, Level 3 shall relocate its Facilities as directed by the City and in accordance with Section 10.2.3 of this Franchise.
- 10.4 The City will notify Level 3 as soon as practical of any facilities that are not identified during the design of the public project, but are discovered during the course of construction

and need to be relocated. Level 3 will work with the City to design and complete a relocation to facilitate the completion of the public project with minimum delay.

- 10.5 Failure to complete a relocation requested by the City in accordance with Section 10.2 of this Franchise by the date included in the notice provided for thereby may subject Level 3 to liquidated damages as provided in Section 28 of this Franchise.
- 10.6 The provisions of this Section of this Franchise shall in no manner preclude or restrict Level 3 from making any arrangements it may deem appropriate when responding to a request for relocation of its Facilities by any person other than the City, where the improvements to be constructed by said person are not or will not become City-owned, operated or maintained, provided that such arrangements do not unduly delay a City construction project.

Section 11. Level 3's Maps and Records.

As a condition of this Franchise, and at its sole expense, Level 3 shall provide the City with typicals and as-built plans, maps, and records that show the vertical and horizontal location of its Facilities within the Right-of-Way using a minimum scale of one inch equals one hundred feet (1"=100'), measured from the center line of the Right-of-Way, which maps shall be in hard copy format acceptable to the City and in Geographical Information System (GIS) or other digital electronic format acceptable to the City. If digital route maps are provided, the format of the data for overlaying on the City's GIS mapping system shall utilize NAD 83 as the horizontal datum, and shall be compatible with or can be imported into Arc GIS Version 9.2 or later. This information shall be provided no later than one hundred eighty (180) days after the effective date of this Ordinance and shall be updated within ten (10) business days of a reasonable request of the City.

Section 12. Undergrounding.

This Franchise is subject to the undergrounding requirements in Shoreline Municipal Code (SMC) Section 13.20. Consistent with that Section, Level 3 shall install all of its Facilities underground in accordance with relevant road and construction standards. Level 3 will also share information necessary to facilitate joint-trenching and other undergrounding projects, and will otherwise cooperate with the City and other utility providers to serve the objectives of SMC Section 13.20.

Section 13. Excavation and Notice of Entry.

- 13.1 During any period of relocation or maintenance, all surface structures, if any, shall be erected and used in such places and positions within the Right-of-Way so as to minimize interference with the passage of traffic and the use of adjoining property. Level 3 shall at all times post and maintain proper barricades and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or State law, including RCW 39.04.180, for the construction of trench safety systems.
- 13.2 Whenever Level 3 excavates in any Right-of-Way for the purpose of installation, construction, repair, maintenance or relocation of its Facilities, it shall apply to the City for

a permit to do so in accordance with the ordinances and regulations of the City requiring permits to operate in the Right-of-Way. In no case shall any work commence within any Right-of-Way without a permit. During the progress of the work, Level 3 shall not unnecessarily obstruct the passage or use of the Right-of-Way, and shall provide the City with plans, maps, and information showing the proposed and final location of any Facilities in accordance with Section 11 of this Franchise.

- 13.3 At least five (5) days prior to construction of Facilities consisting of digging, trenching, cutting, or other activities that may impact the utilization of the Right-of-Way for more than a four (4) hour period, Level 3 shall take reasonable steps to inform all apparent owners or occupiers of property within fifty (50) feet of said activities, that a construction project will commence. The notice shall include, at a minimum, the dates and nature of the project and a toll-free or local telephone number that the resident may call for further information. A pre-printed door hanger may be used to satisfy Level 3's obligations under this Section of this Franchise.
- 13.4 At least twenty-four (24) hours prior to entering Right-of-Way within ten (10) feet of private property to construct Facilities consisting of digging, trenching, cutting, or other activities that may impact the utilization of the Right-of-Way, Level 3 shall post a written notice describing the nature and location of the work to be performed adjacent to the affected private property as well as the information listed in Section 13.3 of this Franchise. Level 3 shall make a good faith effort to comply with the property owner/resident's preferences, if any, regarding the location or placement of Facilities that protrude above the prior ground surface level, if any, consistent with sound engineering practices.

Section 14. Stop Work.

On notice from the City that any work is being conducted contrary to the provisions of this Franchise, or in an unsafe or dangerous manner as determined by the City, or in violation of the terms of any applicable permit, laws, regulations, ordinances or standards, the work may immediately be stopped by the City. The stop work order shall:

- 14.1 Be in writing;
- 14.2 Be given to the Person doing the work and be posted on the work site;
- 14.3 Be sent to Level 3 by overnight delivery at the address given herein;
- 14.4 Indicate the nature of the alleged violation or unsafe condition; and
- 14.5 Establish conditions under which work may be resumed.

Section 15. Emergency Work, Permit Waiver.

In the event of any emergency where any Facilities located in the Right-of-Way are broken or damaged, or if Level 3's construction area for their Facilities is in such a condition as to place the health or safety of any person or property in imminent danger, Level 3 shall immediately take any necessary emergency measures to repair or remove its Facilities without first applying for and obtaining a permit as required by this Franchise. However, this emergency provision shall not

relieve Level 3 from later obtaining any necessary permits for the emergency work. Level 3 shall apply for the required permits not later than the next business day following the emergency work.

Section 16. Recovery of Costs.

Level 3 shall be subject to all permit fees associated with activities undertaken pursuant to this Franchise or other ordinances of the City. If the City incurs any costs and/or expenses for review, inspection or supervision of activities undertaken pursuant to this Franchise or any ordinances relating to a subject for which a permit fee is not established, Level 3 shall pay the City's reasonable costs and reasonable expenses. In addition, Level 3 shall promptly reimburse the City for any costs the City reasonably incurs in responding to any emergency involving Level 3's Facilities. If the emergency involves the facilities of other utilities operating in the Right-of-Way, then the City will allocate costs among parties involved in good faith. Said costs and expenses shall be paid by Level 3 after submittal by the City of an itemized billing by project of such costs.

Section 17. Dangerous Conditions, Authority for City to Abate.

- 17.1 Whenever installation, maintenance or excavation of Facilities authorized by this Franchise causes or contributes to a condition that appears to substantially impair the lateral support of the adjoining Right-of-Way, public or private property, or endangers any person, the City may direct Level 3, at Level 3's expense, to take actions to resolve the condition or remove the endangerment. Such directive may include compliance within a prescribed time period.
- 17.2 In the event Level 3 fails or refuses to promptly take the directed action, or fails to fully comply with such direction, or if emergency conditions exist which require immediate action to prevent injury or damages to persons or property, the City may take such actions as it believes are necessary to protect persons or property and Level 3 shall reimburse the City for all costs incurred.

Section 18. Safety.

- 18.1 Level 3, in accordance with applicable federal, State, and local safety rules and regulations shall, at all times, employ ordinary care in the installation, maintenance, and repair of its Facilities utilizing methods and devices commonly accepted in their industry of operation to prevent failures and accidents that are likely to cause damage, injury, or nuisance to persons or property.
- 18.2 All of Level 3's Facilities in the Right-of-Way shall be constructed and maintained in a safe and operational condition, in accordance with applicable federal, State, and local safety rules and regulations.
- 18.3 The City reserves the right to ensure that Level 3's Facilities are constructed and maintained in a safe condition. If a violation of any applicable safety regulation is found to exist, the City will notify Level 3 in writing of said violation and establish a reasonable time for Level 3 to take the necessary action to correct the violation. If the correction is not made within the established time frame, the City, or its authorized agent, may make the

correction. Level 3 shall reimburse the City for all reasonable costs incurred by the City in correcting the violation.

Section 19. Authorized Activities.

This Franchise is solely for the location, construction, installation, ownership, operation, replacement, repair, maintenance, acquisition, sale, lease, and use of the Telecommunications System and associated Facilities for providing Wholesale and Retail Telecommunications Services. Level 3 shall obtain a separate franchise for any operations or services other than these authorized activities.

Section 20. Administrative Fee and Utility Tax.

- 20.1 Pursuant to RCW 35.21.860, the City is precluded from imposing franchise fees upon a telephone business, as defined in RCW 82.16.010, or a Service Provider for use of the Right-of-Way, as defined in RCW 35.99.010, except a utility tax or actual administrative expenses related to the franchise incurred by the City. Level 3 does hereby warrant that its operations, as authorized under this Franchise, are those of a Service Provider as defined in RCW 35.99.010.
- 20.2 Level 3 shall be subject to a \$5,000 administrative fee for reimbursement of costs associated with the preparation, processing and approval of this Franchise Agreement, including wages, benefits, overhead expenses, meetings, negotiations and other functions related to the approval. The administrative fee excludes normal permit fees required for work in the Right-of-Way. Payment of the one-time administrative fee is due 30 days after Franchise approval.
- 20.3 If Level 3 provides services to customers within the City, Level 3 shall become subject to the City's utility tax set forth in Chapter 3.32 of the Shoreline Municipal Code.
- 20.4 If RCW 35.21.860 is amended to allow collection of a franchise fee, this Franchise Agreement shall be amended to require franchise fee payments.

Section 21. Indefeasible Rights of Use.

- 21.1 An Indefeasible Right of Use ("IRU") is an interest in Level 3's Facilities which gives Level 3's customer the right to use certain Facilities for the purpose of providing Telecommunication Services; an IRU does not provide the customer with any right to control the Facilities, or any right of physical access to the Facilities to locate, construct, replace, repair or maintain the Facilities, or any right to perform work within the Right-of-Way.
- 21.2 A lease or grant of an IRU regarding Level 3's Facilities shall not require that the holder of the lease or IRU to obtain its own franchise or pay any fee to the City, PROVIDED THAT, under such lease or grant of an IRU, Level 3: (i) retains exclusive control over such Telecommunications System and Facilities, (ii) remains responsible for the location, relocation, construction, replacement, repair and maintenance of the Telecommunications

and Facilities pursuant to the terms and conditions of this Franchise, and (iii) remains responsible for all other obligations imposed by this Franchise.

Section 22. Indemnification.

- 22.1 Level 3 agrees to indemnify, save and hold harmless, and defend the City, its elected officials, officers, authorized agents, boards and employees, acting in official capacity, from and against any liability, damages or claims, costs, expenses, settlements or judgments arising out of, or resulting from the granting of this Franchise or Level 3's activities, or any casualty or accident to Person or property that occurs as a result of any construction, excavation, operation, maintenance, reconstruction or any other act done pursuant to the terms of this Franchise, provided that the City shall give Level 3 timely written notice of its obligation to indemnify the City. Level 3 shall not indemnify the City for any damages, liability or claims resulting from the City's sole negligence, willful misconduct, or breach of obligation of the City, its officers, authorized agents, employees, attorneys, consultants, or independent contractors for which the City is legally responsible, or for any activity or function conducted by any Person other than Level 3.
- 22.2 In the event Level 3 refuses to undertake the defense of any suit or any claim, after the City's request for defense and indemnification has been made pursuant to the indemnification clauses contained herein, and Level 3's refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of Level 3, then Level 3 shall pay all of the City's reasonable costs and reasonable expenses for defense of the action, including reasonable attorneys' fees of recovering under this indemnification clause, as well as any judgment against the City.

Should a court of competent jurisdiction or such other tribunal as the parties agree shall decide the matter determine that this Franchise is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of Level 3 and the City, its officers, employees and agents, Level 3's liability hereunder shall be only to the extent of Level 3's negligence. It is further specifically and expressly understood that the indemnification provided in Section 22 of this Franchise constitutes Level 3's waiver of immunity under Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

Section 23. Insurance.

- 23.1 Level 3 shall procure and maintain for the duration of this Franchise, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of the rights, privileges and authority granted hereunder to Level 3, its agents or employees. Level 3 shall provide to the City an insurance certificate naming the City as additional insured, for its inspection prior to the commencement of any work or installation of any Facilities pursuant to this Franchise, and such insurance shall evidence:

- 23.1.1 Automobile Liability insurance for owned, non-owned and hired vehicles with limits no less than \$1,000,000 Combined Single Limit per accident for bodily injury and property damage; and
- 23.1.2 Commercial General Liability insurance policy, written on an occurrence basis with limits no less than \$1,000,000 combined single limit per occurrence and \$2,000,000 aggregate for personal injury, bodily injury and property damage. Coverage shall include blanket contractual liability and employer's liability.
- 23.2 Payment of deductible or self-insured retention shall be the sole responsibility of Level 3.
- 23.3 The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, or employees. In addition, the insurance policy shall contain a clause stating that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. Level 3's insurance shall be primary insurance for the City. Any insurance maintained by the City shall be excess of Level 3's insurance and shall not contribute with it. Coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the City.

Section 24. Abandonment of Level 3's Facilities.

No portion of the Facilities laid, installed, or constructed in the Right-of-Way by Level 3 may be abandoned by Level 3 without the express written consent of the City. Any plan for abandonment or removal of Level 3's Facilities must be first approved by the Public Works Director, which shall not be unreasonably withheld or delayed, and all necessary permits must be obtained prior to such work.

Section 25. Restoration After Construction.

- 25.1 Level 3 shall, after any abandonment approved under Section 24 of this Franchise, or any installation, construction, relocation, maintenance, or repair of Facilities within the Franchise area, restore the Right-of-Way to at least the condition the same was in immediately prior to any such abandonment, installation, construction, relocation, maintenance or repair pursuant to City standards. All concrete encased monuments which have been disturbed or displaced by such work shall be restored pursuant to all federal, state and local standards and specifications. Level 3 agrees to promptly complete all restoration work and to promptly repair any damage caused by such work at its sole cost and expense.
- 25.2 If it is determined that Level 3 has failed to restore the Right-of-Way in accordance with this Section of this Franchise, the City shall provide Level 3 with written notice including a description of actions the City believes necessary to restore the Right-of-Way. If the Right-of-Way is not restored in accordance with the City's notice within fifteen (15) Days of that notice, the City, or its authorized agent, may restore the Right-of-Way. Level 3 is responsible for all reasonable costs and expenses incurred by the City in restoring the Right-of-Way in accordance with this Section of this Franchise. The rights granted to the City under this paragraph shall be in addition to those otherwise provided herein.

Section 26. Bond or Letter of Credit.

Before undertaking any of the work, installation, improvements, construction, repair, relocation or maintenance authorized by this Franchise, Level 3 shall cause to be furnished a bond or Letter of Credit executed by a corporate surety or financial institution authorized to do business in the State of Washington, in a sum to be set and approved by the Director of Public Works as sufficient to ensure performance of Level 3's obligations under this Franchise. The bond shall be conditioned so that Level 3 shall observe all the covenants, terms and conditions and faithfully perform all of the obligations of this Franchise, and to erect or replace any defective work or materials discovered in the replacement of the City's streets or property within a period of two years from the date of the replacement and acceptance of such repaired streets by the City. Level 3 may meet the obligations of this Section of this Franchise with one or more bonds acceptable to the City. In the event that a bond issued pursuant to this Section of this Franchise is canceled by the surety, after proper notice and pursuant to the terms of said bond, Level 3 shall, prior to the expiration of said bond, procure a replacement bond which complies with the terms of this Section of this Franchise.

Section 27. Recourse Against Bonds and Other Security.

So long as the bond is in place, it may be utilized by the City as provided herein for reimbursement of the City by reason of Level 3's failure to pay the City for actual costs and expenses incurred by the City to make emergency corrections under Section 17 of this Franchise, to correct Franchise violations not corrected by Level 3 after notice, and to compensate the City for monetary remedies or damages reasonably assessed against Level 3 due to material default or violations of the requirements of City ordinances.

- 27.1 In the event Level 3 has been declared to be in default of a material provision of this Franchise by the City and if Level 3 fails, within thirty (30) days of mailing of the City's default notice, to pay the City any penalties, or monetary amounts, or fails to perform any of the conditions of this Franchise, or fails to begin to perform any condition that may take more than 30 days to complete, the City may thereafter obtain from the bond, after a proper claim is made to the surety, an amount sufficient to compensate the City for its damages. Upon such withdrawal from the bond, the City shall notify Level 3 in writing, by First Class Mail, postage prepaid, of the amount withdrawn and date thereof.
- 27.2 Thirty (30) days after the City's mailing of notice of the bond forfeiture or withdrawal authorized herein, Level 3 shall deposit such further bond, or other security, as the City may require, which is sufficient to meet the requirements of this Ordinance.
- 27.3 The rights reserved to the City with respect to any bond are in addition to all other rights of the City whether reserved by this Ordinance or authorized by law, and no action, proceeding, or exercise of a right with respect to any bond shall constitute an election or waiver of any rights or other remedies the City may have.

Section 28. Liquidated Damages.

- 28.1 The City and Level 3 recognize the delays, expense and unique difficulties involved in proving in a legal proceeding the actual loss suffered by the City as a result of Level 3's

breach of certain provisions of this Franchise. Accordingly, instead of requiring such proof, the City and Level 3 agree that Level 3 shall pay to the City, the sum set forth below for each day or part thereof that Level 3 shall be in breach of specific provisions of this Franchise. Such amount is agreed to by both parties as a reasonable estimate of the actual damages the City would suffer in the event of Level 3's breach of such provisions of this Franchise.

28.1.1 Subject to the provision of written notice to Level 3 and a thirty (30) day right to cure period, the City may assess against Level 3 liquidated damages as follows: two hundred dollars (\$200.00) per day for any material breaches of the Franchise.

28.1.2 The City shall provide Level 3 a reasonable extension of the thirty (30) day right to cure period described in Section 28.1.1 of this Franchise if Level 3 has commenced work on curing the violation, is diligently and continuously pursuing the cure to completion and requested such an extension, provided that any such cure is completed within one hundred and twenty (120) days from the written notice of default.

28.1.3 If liquidated damages are assessed by the City, Level 3 shall pay any liquidated damages within forty-five (45) days after they are assessed.

28.1.4 In the event Level 3 fails to cure within the specified cure period, or any agreed upon extensions thereof, liquidated damages accrue from the date the City notifies Level 3 that there has been a violation.

28.2 The recovery of amounts under Section 28.1.1 of this Franchise shall not be construed as a limit on the liability of Level 3 under the Franchise or an excuse of unfaithful performance of any obligation of Level 3. Similarly, the imposition of liquidated damages are not intended to be punitive, but rather, for City cost recovery purposes.

Section 29. Remedies to Enforce Compliance.

In addition to any other remedy provided herein, the City and Level 3 each reserve the right to pursue any remedy to compel the other to comply with the terms of this Franchise, and the pursuit of any right or remedy by a party shall not prevent such party from thereafter declaring a breach or revocation of the Franchise.

Section 30. Modification.

The City and Level 3 hereby reserve the right to alter, amend or modify the terms and conditions of this Franchise upon written agreement of both parties to such amendment.

Section 31. Force Majeure.

This Franchise shall not be revoked due to any violation or breach that occurs without fault of Level 3 or occurs as a result of circumstances beyond Level 3's reasonable control.

Section 32. City Ordinances and Regulations.

Nothing herein shall be deemed to direct or restrict the City's ability to adopt and enforce all necessary and appropriate lawful ordinances regulating the performance of the conditions of this Franchise, including any reasonable lawful ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to control, by appropriate lawful regulations, the location, elevation, and manner of construction and maintenance of any fiber optic cable or of other Facilities by Level 3, provided it does so in a non-discriminatory manner. Level 3 shall promptly conform to all such regulations, unless compliance would cause Level 3 to violate other requirements of law.

Section 33. Acceptance/Liaison.

Level 3's written acceptance shall include the identification of an official liaison who will act as the City's contact for all issues regarding this Franchise. Level 3 shall notify the City of any change in the identity of its liaison. Level 3 shall accept this Franchise in the manner hereinafter provided in Section 43 of this Franchise.

Section 34. Survival.

All of the provisions, conditions and requirements of Sections 10, Relocation of Facilities; 13, Excavation And Notice Of Entry; 17, Dangerous Conditions; 22, Indemnification; 24, Abandonment of Level 3's Facilities; and 25, Restoration After Construction, of this Franchise shall be in addition to any and all other obligations and liabilities Level 3 may have to the City at common law, by statute, or by contract, and shall survive the City's Franchise to Level 3 and any renewals or extensions thereof. All of the provisions, conditions, regulations and requirements contained in this Franchise Ordinance shall further be binding upon the heirs, successors, executors, administrators, legal representatives and assigns of the parties and all privileges, as well as all obligations and liabilities of each party shall inure to its heirs, successors and assigns equally as if they were specifically mentioned wherever such party is named herein.

Section 35. Severability.

If any section, sentence, clause or phrase of this Franchise Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this Franchise Ordinance. In the event that any of the provisions of this Franchise Ordinance or of this Franchise are held to be invalid by a court of competent jurisdiction, the City reserves the right to reconsider the grant of this Franchise and may amend, repeal, add, replace or modify any other provision of this Franchise Ordinance or of the Franchise granted herein, or may terminate this Franchise.

Section 36. WUTC Tariff Filings, Notice Thereof.

If Level 3 intends to file, pursuant to Chapter 80.28 RCW, with the Washington Utilities and Transportation Commission (WUTC), or its successor, any tariff affecting the City's rights arising under this Franchise, Level 3 shall provide the City with fourteen (14) days written notice.

Section 37. Binding Acceptance.

This Franchise shall bind and benefit the parties hereto and their respective successors and assigns.

Section 38. Assignment.

This Franchise shall not be sold, transferred, assigned, or disposed of in whole or in part either by sale or otherwise, without the written approval of the City; provided however, that Level 3 may assign the Franchise to an affiliate of Level 3 or to an entity succeeding to substantially all of the assets of Level 3, with such assignment not effective until the City receives and approves the information required by Shoreline Municipal Code 12.25.050(A)(1)-(3) and any updated bond/letter of credit and insurance information. The City's approval shall not be unreasonably withheld or delayed. Any reasonable costs associated with the City's review of any transfer proposed by Level 3 shall be reimbursed to the City by the new prospective Franchisee, if the City approves the transfer, or by Level 3 if said transfer is not approved by the City.

38.1 A lease or grant of an Indefeasible Right of Use ("IRU") in the Telecommunications System, the associated Facilities, or any portion thereof, to another Person, or an offer or provision of capacity or bandwidth from the Telecommunications System or associated Facilities shall not be considered an assignment for purposes of this Section of this Franchise, PROVIDED THAT, under such lease, IRU, or offer, Level 3: (i) retains exclusive control over the Telecommunications System, (ii) remains responsible for the location, construction, replacement, repair and maintenance of the Telecommunications System pursuant to the terms and conditions of this Franchise, and (iii) remains responsible for all other obligations imposed hereunder.

Section 39. Alternate Dispute Resolution.

If the City and AboveNet are unable to resolve disputes arising from the terms of the Franchise granted herein, prior to resorting to a court of competent jurisdiction, the parties shall submit the dispute to an alternate dispute resolution process in King County agreed to by the parties. Unless otherwise agreed between the parties or determined herein, the cost of that process shall be shared equally.

Section 40. Venue.

If alternate dispute resolution is not successful, the venue for any dispute related to this Franchise shall be the United States District Court for the Western District of Washington, or King County Superior Court.

Section 41. Entire Agreement.

This Franchise constitutes the entire understanding and agreement between the parties as to the subject matter herein and no other agreements or understandings, written or otherwise, shall be binding upon the parties upon execution and acceptance hereof.

Section 42. Notice.

Any notice or information required or permitted to be given to the City or to Level 3 under this Franchise may be sent to the following addresses unless otherwise specified:

Level 3 Communications, LLC
1025 Eldorado Blvd.
Broomfield, Colorado 80021
Attn: NIS Contract Administration

City of Shoreline
City Manager
17500 Midvale Avenue N
Shoreline, WA 98133

With a copy to:

Level 3 Communications, LLC
1025 Eldorado Blvd.
Broomfield, Colorado 80021
Attn: General Counsel

Either party can alter their official address for notifications provided in this Section of this Franchise by providing the other party written notice thereof.

Section 43. Directions to City Clerk.

The City Clerk is hereby directed to publish this Ordinance in full and forward certified copies of this ordinance to Level 3. Level 3 shall have thirty (30) days from receipt of the certified copy of this ordinance to execute the "Acceptance Agreement", a copy of which has been filed with the City Clerk and identified by Clerk's Receiving Number _____. If Level 3 fails to accept this Franchise in accordance with the above provisions, this Franchise shall be null and void.

Section 44. Publication Costs.

Level 3 shall reimburse the City for the cost of publishing this Franchise ordinance within thirty (30) Days of receipt of the City's invoice.

Section 45. Effective Date.

This ordinance shall take effect and be in full force five (5) Days after the date of publication.

PASSED BY THE CITY COUNCIL ON MAY 20, 2013

Mayor Keith A. McGlashan

ATTEST:

Scott Passey
City Clerk

APPROVED AS TO FORM:

Ian Sievers
City Attorney

Date of Publication: May 22, 2013
Effective Date: May 27, 2013



Company History

Stronger Connections around the Globe

From its beginning, Level 3 Communications was founded on the principles of the Silicon Economicsm cycle: create a global telecommunications network with the scale to reduce unit costs, stimulate demand with these lower costs, support that demand by scaling even more. Level 3 created a network that serves as a foundation for the communications services of the 21st century by providing, among other things, information transmission over a fiber optic network and media delivery over a content delivery network. And we've grown to support the end-to-end communications services that businesses and carriers rely on.

Level 3 was originally founded in 1985 as Kiewit Diversified Group Inc. (KDG), a wholly-owned subsidiary of Peter Kiewit Sons', Inc. (PKS). Peter Kiewit Sons', Inc. is a 114-year-old construction, mining, information services and communications company headquartered in Omaha, Neb. KDG was originally created to hold PKS' non-construction business assets.

In early 1998, KDG announced it was changing its name to Level 3 Communications, Inc., after substantially increasing the emphasis it placed on and the resources devoted to its communications and information services business. On April 1, 1998, Level 3 common stock started trading on the NASDAQ Stock Market under the symbol LVLT.

During 1998, Level 3 raised \$14 billion and was called the "best funded start-up in history." The company constructed 19,600 route miles, and built the world's first continuously upgradeable network fully optimized for internet protocol (IP). Over the next few years, explosive demand for bandwidth fueled growth in sales. By the end of 2000, Level 3 provided service to 2,700 customers.

Level 3 continued investments in infrastructure to become a world-class communications provider, and won the trust of the world's most sophisticated communications companies. In addition to ongoing construction, the company expanded its assets with the February 2003 acquisition of Genuity. Over the next few years, and through a major industry downturn, Level 3 pursued a strategy that focused on both the balance sheet and investing for the inevitable industry rebound. Level 3 won the confidence of investors, as the company raised more money than all other NexGen carriers combined; and also of customers, who made Level 3 one of the world's top three Internet traffic carriers.

Beginning with the late-2005 acquisition of WilTel, Level 3 has established itself as a natural industry consolidator. During 2006, the company went on to acquire Progress Telecom, ICG, TelCove and Looking Glass Networks. In 2007, Level 3 acquired Broadwing, the Content Delivery Network (CDN) services business of SAVVIS, Inc. and Servecast.

In the fall of 2011, Level 3 and Global Crossing joined forces. The new integrated network united Level 3's broad, deep U.S. and European footprint with Global Crossing's extensive international, intercity network. Continuing to operate under the name of Level 3, this new kind of company featured more than 500 global markets in North America, EMEA, Latin America and Asia, as well as a total of ~100,000 route miles.



With true partnership, communication technology turns from a necessity into an asset. People and information connect faster. Efficiency skyrockets. Costs fall. Plus, those lofty goals you set? They're checked off the year's business plan faster than you could have imagined.

That's the kind of partnership Level 3 customers receive. It all starts with a simple act: listening. Tell us your vision, challenges or needs. Then we explore where our industry-leading services and proven, world-class network can help. And from business Internet to secure virtual private networks (VPN), from voice and managed services to the latest content delivery, you'll receive the same commitment to partnership.

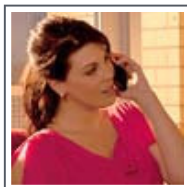
DATA



Reliable connectivity is critical to businesses of every size. We match our technology to your needs so you get secure, cost-effective data services that are right for your industry and customers.

- Internet Services
- Content Delivery Network (CDN)
- Converged Business Network
- Private Line Services
- Rural Access Solutions
- Wavelength Services
- Virtual Private Network

VOICE



Experience matters. Level 3 has been delivering leading VoIP connectivity for more than a decade, helping businesses like yours cut costs, converge networks and improve communications.

- Collaboration Services
- Enterprise Voice
- Wholesale/Carrier Voice

VIDEO



Video is a powerful medium for delivering compelling information to your audience, whether they're in the office or mobile. Level 3's suite of industry-leading solutions enables you to quickly, reliably stream rich digital content to your enterprise and the world.

- Vyvx Solutions
- Media Delivery Services
- Global Media Events

SECURITY

Level 3 Security Solutions elevate the network protection available to the enterprise by enabling customers to leverage our network threat insight and experience to defend their infrastructures and support continuity of operations. Our goal is to build a partnership to safeguard your data, minimize vulnerabilities and deliver a path for immediate remediation, so you can focus on your business.



- Secure Access Services
- Managed Security Services
- DDoS Mitigation
- Security Consulting Services

MANAGED AND PROFESSIONAL SERVICES



Check network management off your list — we'll do that for you. And we'll help you explore and implement a strategy that gets the most from your resources and infrastructure. From security management to colocation, leasing bandwidth to field service, our Managed & Value Add Services let you focus on business, not your network.

- Managed Router
- Application Performance Management
- Managed WAN Optimization
- Smart Demarcation for Ethernet VPNs
- Managed Ethernet Access
- Managed Dedicated Fiber
- Managed Voice
- Professional Services

CLOUD AND IT SERVICES



Cloud and IT Services from Level 3 help you reduce costs and complexity while still focusing on maintaining application performance, service integrity and data security. We can deliver the infrastructure, scale, network, security and performance you need.

- Communications as a Service
- Data Center Services